

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07
FRB-01 INR-07 NSAE-00 EPG-02 SP-02 STR-04 TRSE-00
LAB-04 SIL-01 OMB-01 SS-15 NSC-05 AGR-01 /069 W
-----141905Z 065701 /43
R 141600Z JUN 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 0252
INFO ALL EC CAPITALS

UNCLAS SECTION 1 OF 2 BRUSSELS 06074

USEEC

E.O.11652:N/A
TAGS: EEC, EGEN
SUBJECT: EC REGIONAL POLICY--ANOTHER STEP

REFS: (A) EC BRUSSELS A-109; (B) EC BRUSSELS 3496

1. SUMMARY: ON JUNE 1 THE EC COMMISSION SUBMITTED TO THE COUNCIL OF MINISTERS FOR APPROVAL A PROPOSAL MODIFYING AND EXTENDING THE SCOPE OF THE COMMUNITY'S REGIONAL POLICY. THE PROPOSAL IS DESIGNED TO INCREASE THE FLEXIBILITY OF THE EUROPEAN FUND FOR REGIONAL DEVELOPMENT (EFRD), CURRENTLY THE MAIN INSTRUMENT OF REGIONAL POLICY, AND TO ENSURE BETTER COORDINATION BETWEEN MEMBER STATES AND BETWEEN VARIOUS COMMUNITY INSTRUMENTS AND POLICIES. THE TYPES OF AREAS ELIGIBLE FOR FINANCIAL ASSISTANCE FROM THE EFRD ARE EXTENDED AND CERTAIN RESTRICTIONS ARE ELIMINATED OR MODIFIED. THE PROPOSAL RECOMMENDS THE SETTING UP OF A PERMANENT PROFESSIONAL ANALYSIS UNIT, AN INCREASE IN THE AMOUNT OF FUNDS, CREATION OF NON-QUOTA FUNDS TO BE DISPERSED UNDER COMMISSION DISCRETION IN CONJUNCTION WITH THE REGIONAL POLICY COMMITTEE, AND THE INCLUSION OF FUND APPROPRIATION IN THE GENERAL ANNUAL
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BUDGET. COMMISSION OFFICIALS HOPE FOR COUNCIL APPROVAL BEFORE THE END OF 1977.

2. EVALUATION OF THE EC'S REGIONAL POLICY SET FORTH IN 1975 AND DESIGNED TO DECREASE THE GAP BETWEEN THE RICHEST REGIONS (FRG, NETHERLANDS, DENMARK) AND THE POOREST (SOUTHERN ITALY, NORTHERN IRELAND AND IRELAND)

SHOWED THAT THE GAP HAD WIDENED. GIOLITTI, COMMISSIONER WITH RESPONSIBILITY FOR REGIONAL POLICY, VISITED ALL NINE CAPITALS TO DISCUSS VARIOUS IDEAS ON CHANGING THE PRESENT POLICY. THE COMMISSION'S PROPOSAL REFLECTS GIOLITTI'S FINDINGS.

3. STRUCTURAL UNEMPLOYMENT AND UNDEREMPLOYMENT CONTINUE TO BE THE FIRST PRIORITY AND THE EMPHASIS ON SMALL AND MEDIUM SIZE BUSINESSES IS RETAINED. THE SCOPE OF PROBLEM AREAS IS EXTENDED TO INCLUDE: AREAS WITH IMBALANCES CAUSED EITHER BY CHANGES IN WORLD ECONOMIC STRUCTURES OR BY COMMUNITY POLICIES; AND FRONTIER REGIONS. A NON-QUOTA SECTION OF THE FUND TO BE ADMINISTERED BY THE COMMISSION WILL BE USED TO DEAL WITH THESE AREAS AND WILL BE ABLE TO USE EFRD FUNDS FOR SECTORAL (I.E. STEEL AND SHIPBUILDING) AS WELL AS REGIONAL PROBLEMS. THE PROPOSED ANALYSIS UNIT WILL BE RESPONSIBLE FOR SYSTEMATIC ANALYSIS AND EVALUATION OF PROJECTS UNDERTAKEN BY THE COMMUNITY AND MEMBER STATES AS WELL AS CALCULATING THE REGIONAL EFFECTS OF COMMUNITY POLICIES DEALING WITH OTHER AREAS SUCH AS AGRICULTURE AND TRADE, WITH THE GOAL OF MAXIMIZING COORDINATION AND ENSURING EFFICIENCY. BIENNIAL REPORTS FROM THE COMMISSION TO THE COUNCIL ARE REQUIRED BEGINNING IN 1979 IN ORDER TO ENSURE THAT THE FRAMEWORK AND PRIORITIES OF REGIONAL POLICY ARE RESPONSIVE TO CURRENT CONDITIONS.

4. THE PROPOSED MODIFICATIONS TO THE EFRD ARE AIMED AT INCREASING ITS FLEXIBILITY. THE ANNUAL APPROPRIATION OF THE FUND, BEGINNING IN 1978 WILL BE FIXED EACH YEAR

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AS A PART OF THE EC GENERAL BUDGET. COMMISSION OFFICIALS BELIEVE THIS COUPLED WITH THE ADOPTION OF THE EUROPEAN UNIT OF ACCOUNT (EUA) WILL LEAD TO AN INCREASE IN FUNDING. THE MAJORITY OF THE FUND WILL FOLLOW THE PRESENT QUOTA SYSTEM TO BE DISTRIBUTED AS FOLLOWS:

BELGIUM	1.5 PERCENT
DENMARK	1.3
FRANCE	15.0
IRELAND	6.0
ITALY	40.0
LUXEMBOURG	0.1
NETHERLANDS	1.7
FRG	6.4
UK	28.0

QUOTA FUNDS SHOULD AT LEAST EQUAL THE PRESENT ANNUAL APPROPRIATION OF 1.3 BILLION UA. THE NON-QUOTA FUNDS WILL BE DETERMINED IN THE BUDGET AND OFFICIALS HOPE THEY

WILL BE AT LEAST 15 PERCENT OF THE QUOTA FUNDS. THE PROPOSAL RAISES THE CEILING ON FUND USE FOR INFRA-STRUCTURE DEVELOPMENT TO 50 PERCENT FROM 30 PERCENT AND BROADENS THE DEFINITION OF ELIGIBLE TYPES OF INFRASTRUCTURE. THE 10 MILLION UA THRESHOLD FOR REQUIRED PROJECT APPROVAL BY THE REGIONAL POLICY COMMITTEE DROPS TO 5 MILLION UA TO LESSEN THE ADMINISTRATIVE BURDEN AND GIVES GREATER DISCRETION TO THE AREA COMMITTEE.

5. THE PROPOSAL ALSO INCLUDES A SECTION ALLOWING GRANTS, LOANS AND GUARANTEES ON EIB, ESCS AND EEC LOANS UP TO A

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MAXIMUM 5 PERCENT REBATE OF THE INITIAL CAPITAL VALUE OF THE LOAN, APPLICABLE TOWARDS INTEREST. A 40 PERCENT REBATE OF INTEREST PAID ON THE LONG TERM CAPITAL MARKET OR A MEMBER STATE IS ALSO ALLOWABLE.

6. COPIES OF PROPOSAL BEING POUCHED EUR/RPE. HINTON

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